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Financial Opportunities to Mitigate Upward Rate Pressure and/or Reduce Rates (B)

GRU Staff has investigated several alternatives for providing utility rate reduction, many of which are related to GRU’s financial transactions. Staff will present the following options with potential for rate reductions for the City Commission’s consideration:

1. Options for converting the index on three swap transactions to lock in or obtain savings due to currently favorable financial conditions. Collectively, these transactions have the potential to ensure savings to GRU customers of more than \$1.7 million per year; and
2. A proposal to Gainesville Renewable Energy Corporation (GREC) for GRU to prepay one year of fixed charges in exchange for a discount on those charges. This option would only be executed if savings to customers are realized and the Commission approves the terms of any agreement. The magnitude of savings would be based on any negotiated discount; and
3. Options for issuing new debt and/or restructuring existing debt. These options have the potential to reduce costs to customers by as much as \$18 million per year in the five year horizon, but result in higher debt service payments in years beyond the five year horizon.

Each alternative for rate reduction has some element of risk based on future financial market conditions, counterparty risk, and operating risk in some cases.

Each option presented would involve savings, some in the current fiscal year and most in future fiscal years for which budgets have not yet been adopted. The cost to pursue the short term prepay option with GREC, if they are interested, would involve expenditures of up to \$100,000. Funds are available in the current FY14 budget.

The City Commission receive a presentation from staff and take appropriate action.

